

Prime Value Cash Plus Fund

Fund Update – October 2018



- The Fund's return was reasonable in October despite renewed equity market volatility
- Credit markets are very resilient
- We are extremely alert to "crossover" effects from equity, FX, commodity and emerging markets
- We expect the Fund to continue to perform well over the next year

	Gross Return*	Net Return*	Net Return including Franking Credits**	RBA Cash Rate
Since inception (p.a.)	4.1%	3.5%	4.1%	1.8%
3 Years (p.a.)	4.5%	3.8%	4.6%	1.6%
2 Years (p.a.)	4.2%	3.6%	4.4%	1.5%
1 year	3.0%	2.4%	3.0%	1.5%
3 Months	0.9%	0.7%	0.9%	0.4%
1 Month	0.2%	0.1%	0.1%	0.1%

* Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. No allowance has been made for taxation. Performance assumes the reinvestment of income distributions. Past performance is not necessarily an indicator of future performance. Net returns are calculated after management fees. Gross returns are calculated before management fees.

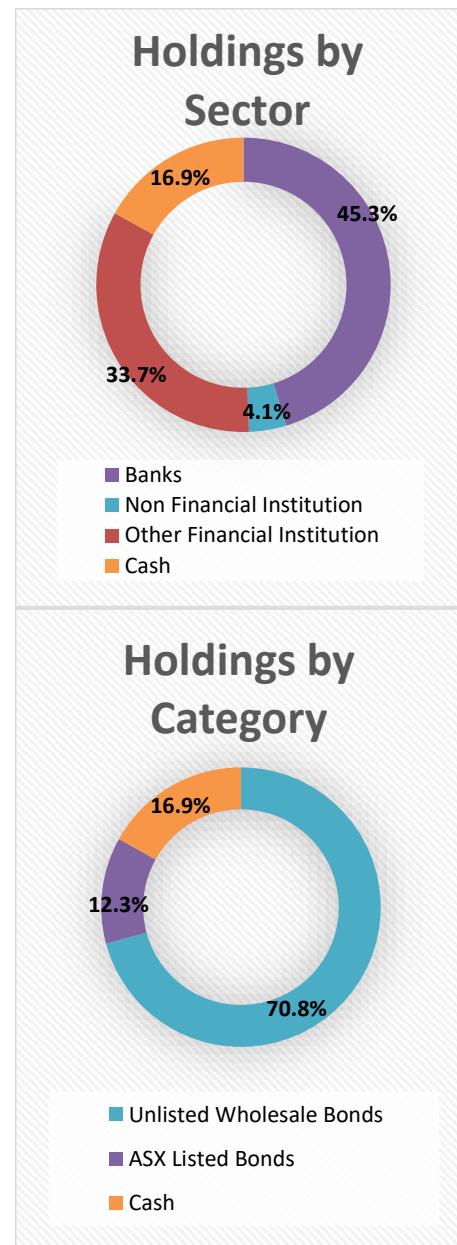
**Returns grossed up for Franking Credits are estimates.

Major Holdings	Sector	Category
NAB	Banks	Wholesale Notes
Westpac	Banks	Wholesale Notes
CBA	Banks	Wholesale Notes
ANZ	Banks	Wholesale Notes
Bank of Queensland	Banks	Wholesale Notes

The top five holdings make up approximately 32.3% of the portfolio.

Feature	Fund Facts
APIR Code	PVA0009AU
Portfolio Manager	Matthew Lemke
Investment Objective	To provide regular income with low risk exposure. The Fund targets a return to investors in excess of the Reserve Bank of Australia's (RBA) cash rate with minimal risk of capital loss in the medium term.
Benchmark	RBA Cash Rate
Inception Date	3 June 2014
Interest Rate Reset Duration	Approx. 0.41 years
Distributions	Quarterly
Recommended Investment Period	1 + year
Minimum Investment	\$50,000
Indirect Cost Ratio (ICR)	0.60% ¹ p.a.
Issue price	\$1.0231
Withdrawal Price	\$1.0204
Distribution (30/09/18)	\$0.0072

¹ Unless otherwise stated, all fees quoted are inclusive of GST and less the relevant RITC



Fund review and strategy

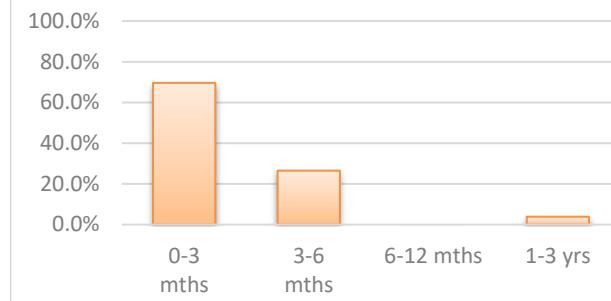
The Fund's return was reasonable in October despite the renewed volatility entered equity, foreign exchange, commodity and emerging markets. Credit markets were however very resilient. There are a number of factors that are weighing on markets: the "trade war" between the US and China, the US mid-term elections on 6 November (particularly whether there will be any change in the balance of Republican power in Congress), the US Fed rate hikes (the Fed has hiked 9 times in this cycle since November 2015 to the current rate of 2.25%, with the last hike being on 26 September 2018 and 3-4 more hikes envisaged over 2018-2019), the strong US dollar, the ongoing disruption in several emerging markets notably Venezuela and Turkey, and risk of "contagion" to major markets, recent data in China suggesting economic growth might be weakening, and fears upcoming US earnings results will show the Trump tax cuts are not enduring but creating a 'one-off' effect on profits. As in February, the end of the month the US equity markets had recovered a large part of the fall. Other equity markets, including Australia, however did not rebound as well. The fallout of the Hayne Royal Commission is having a dampening effect on the share prices of the banks/ financial institutions in Australia. Being a "cash plus fund", our investments are in securities that fall within the credit market and not directly influenced by the equity market.

Our overall view is that markets are behaving well and efficiently clearing risk. Over the past 30 years the major traded markets have developed an amazing resilience and capacity to clear risk to meet investor needs. This is not to say markets do not experience volatility and this is in fact a necessary feature of markets. The major markets have demonstrated an ability to remain open and operate through volatile conditions, even 'crisis' markets. The RBA, US Fed, the ECB, and major central banks globally are highly astute in their management of the monetary variables. Even though 'protectionism' and 'far right populism' politics is having an increased rhetoric globally, we continue to believe major traded markets will show strength and durability.

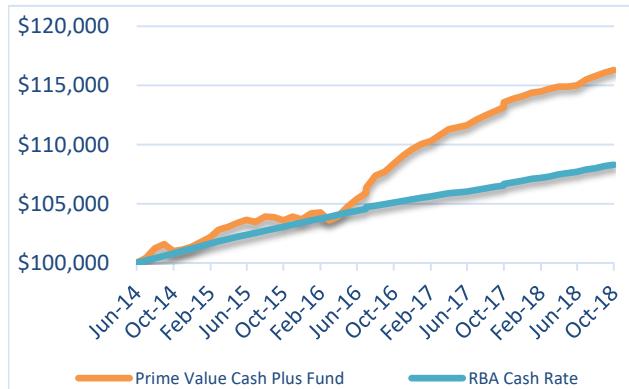
Current volatility in equity, foreign exchange, commodity and emerging markets has barely caused a ripple in credit markets, we are extremely alert to "crossover" effects and managing the Fund in a very defensive manner, keeping to our longstanding strategy to minimise both credit duration (i.e. the average maturity of our investments) and interest rate duration (i.e. the average time to the next interest rate reset), only investing in securities or issuers that are rated "investment-grade" by the major rating agencies, not having "all eggs in the one basket" (currently the Fund is invested in 29 securities), being invested in the main in securities of major banks/financial institutions in Australia, and ensuring the Fund has franking credits to distribute to investors to help add to their overall return. The Fund has no derivatives, offshore investments, or direct commodity, property or foreign exchange risk.

The Fund will continue to perform well and in keeping with its objectives and strategy over the next year.

Interest Rate Reset Management



The Fund's portfolio weighted average interest rate reset duration is approximately 0.40 years. The majority of interest rates are reset every quarter. Securities with interest rates reset every quarter are not exposed to the risk of interest rate increases, unlike fixed rate investments.



This graph shows how \$100,000 invested at the Fund's inception has increased to \$116,300 (net of fees). This compares with the return of the RBA cash rate, where a \$100,000 investment would have increased to \$108,300 over the same period.

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